

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00
OMB-01 XMB-02 NSC-05 SS-15 STR-04 EURE-00 ABF-01
FEAE-00 INT-05 /116 W

----- 012085 /46

P R 151450Z DEC 76
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 5822
INFO AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMCONSUL ADANA
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: EFIN, TU
SUBJ: DECLINE IN TURKISH FOREIGN EXCHANGE RESERVES

REF: ANKARA 9259

1. TURKISH OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES
DROPPED DRAMATICALLY BETWEEN NOVEMBER 19 AND NOVEMBER 26
(LATEST DATE FOR WHICH FIGURES ARE AVAILABLE). OFFICIAL GOLD
AND FOREIGN EXCHANGE RESERVES (OF WHICH GOLD IS \$146.4 MILLION)
WERE \$930 MILLION ON NOVEMBER 19, BUT DROPPED \$261 MILLION
TO FIGURE OF 669 MILLION AS OF NOVEMBER 26. IN ADDITION, FOR-
EIGN EXCHANGE HELD BY COMMERCIAL BANKS WHICH HAD FLUCTUATED
BETWEEN \$100-125 MILLION FOR SEVERAL MONTHS PRIOR TO
NOVEMBER 19, DROPPED TO \$72 MILLION AS OF NOVEMBER 26.

2. EMBOFF DISCUSSED RESONS FOR RAPID DECLINE WITH YAVUZ
CENEVI, DIRECTOR GENERAL, FOREIGN EXCHANGE DEPARTMENT,
CENTRAL BANK. CENEVI CONFIRMED THAT GOT EXPORTS OF AGRICUL-
TURAL PRODUCTS FOR 1976-1977 MARKETING YEAR (AUGUST 31-
AUGUST 31) ARE DOWN CONSIDERABLY OVER PREVIOUS YEAR. THIS
IS PARTICULARLY TRUE OF COTTON AND TOBACCO. IN ADDITION,
WORKERS REMITTANCES HAVE REMAINED AT DEPRESSED LEVEL

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APPROXIMATELY 30 PERCENT BELOW LAST YEAR. THIS HAS MEANT

THAT GOT HAS HAD RECENTLY TO DRAW-DOWN SHARPLY ON RESERVES
IN ORDER TO MAINTAIN HEAVY IMPORT REQUIREMENTS.

3. EMBOFF ALSO QUESTIONED CEVENI RE NEWSPAPER
SPECULATION THAT THER ARE LENGTHENING DELAYS IN TRINSFERS OF
FOREIGN EXCHANGE TO PAY FOR IMPORTS. CENEVI ADMITTED THAT
DELAYS ARE "SLIGHTLY LONGER" THAN THEY WER THREE MONTHS
AGO DUE TO REASONS CITED IN PARA 2. CENEVI CAUTIONED, HOW-
EVER, THAT NORMAL DELAYS FOR TRANSFERS EVEN IN BEST OF TIMES
WAS 28-30 DAYS, EXCEPT FOR HIGH-PRIORITY IMPORTS SUCH AS
PETROLEUM, FERTILIZER AND IRON AND STEEL PRODUCTS.

4. COMMENT: FIGURE OF \$669 MILLION IS 1976 LOW FOR
OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES. PREVIOUS LOW
WAS \$700 MILLION ON JULY 23, QUICKLY BOOSTED BY FORTUTIOUS
TIMING OF \$150 MILLION SYNDICATED EURO-DOLLAR LOAN. IN
GENERAL, AND IN SPITE OF PROJECTED TRADE DEFICIT FOR 1976
OF \$3 ?8)89,, GOT HAS USED INFLOWS OF SHORT-TERM CAPITAL
TO FINANCE BOP DEFICIT AND RESISTED DRAWING DOWN RESERVES
MUCH BELOW \$900 MILLION. RAPID DECLINE IN RESERVES MAY
CONCEIVABLY INDICATE THAT SOME INTERNATIONAL BANKS, FOR INTERANL
YEAR-END ACCOUNTING PURPOSES, ARE CALLING SOME SHORT-TERM
CREDITS AS THEY COME DUE, PROBABLY INTENDING RELOAN FUNDS
EARLY IN NEW YEAR. WHATEVER THE REASON, DECLINE IN RESERVES
IS UNUSUALLY RAPID AND WILL BE MONITORED CAREFULLY OVER
COMING WEEKS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, POLICIES, GOVERNMENT BUDGET, FOREIGN EXCHANGE HOLDINGS, FINANCIAL RESERVES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ANKARA09529
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760461-1208
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761239/aaaabhad.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ANKARA 9259
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 26 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 APR 2004 by BoyleJA>; APPROVED <12 AUG 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DECLINE IN TURKISH FOREIGN EXCHANGE RESERVES
TAGS: EFIN, PGOV, TU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006